

SENATE BILL REPORT

SB 5918

As of April 3, 2017

Title: AN ACT relating to providing incentives for carbon reduction investments in rural manufacturing.

Brief Description: Providing incentives for carbon reduction investments in rural manufacturing.

Sponsors: Senators Ericksen and Chase.

Brief History:

Committee Activity: Energy, Environment & Telecommunications: 4/06/17.

Brief Summary of Bill

- Allows a qualifying utility to substitute carbon reduction investments (CRIs) for renewable energy credits as a way to comply with Initiative 937 (I-937), beginning January 1, 2020. CRIs are calculated as the equivalent of one renewable energy credit per 0.2 metric ton of carbon dioxide equivalent reduced, prevented, or removed from the atmosphere.
- Adds CRIs to I-937 as an eligible renewable resource.
- Defines CRIs as a qualifying utility's investment in support of eligible projects proposed and implemented by a manufacturer in a rural area that reduce, prevent, or remove from the atmosphere the emissions of greenhouse gases.

SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

Staff: Kimberly Cushing (786-7421)

Background: Approved by voters in 2006, the Energy Independence Act, also known as Initiative 937 (I-937), requires electric utilities with 25,000 or more customers to meet targets for energy conservation and for using eligible renewable resources. Utilities that must comply with I-937 are called qualifying utilities.

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Renewable Energy Credit (REC). An REC is a tradable certificate of proof of at least one megawatt hour (MWh) of an eligible renewable resource where the generation facility is not powered by fresh water. Under I-937, an REC represents all the nonpower attributes associated with the generated power, including avoided emissions. RECs can be bought and sold in the marketplace, and they may be used to comply with I-937 during the year they are acquired, the previous year, or the subsequent year.

Eligible Renewable Resource Targets (Acquisition Targets) and Compliance Dates. Under I-937, each qualifying utility must use eligible renewable resources or acquire equivalent RECs, or a combination of both, to meet the following annual targets:

- at least 3 percent of its load by January 1, 2012, and each year thereafter through December 31, 2015;
- at least 9 percent of its load by January 1, 2016, and each year thereafter through December 31, 2019; and
- at least 15 percent of its load by January 1, 2020, and each year thereafter.

A utility that becomes a qualifying utility after December 31, 2006, must meet the acquisition targets on a timeframe comparable in length to that provided for qualifying utilities that existed on December 7, 2006.

Eligible Renewable Resource. The term eligible renewable resource means electricity generated from a resource such as wind, solar, geothermal energy, landfill and sewage gas, wave and tidal power, and certain biodiesel fuels. In addition, an eligible renewable resource must be generated in a facility that started operating after March 31, 1999, and the facility must either be located in the Pacific Northwest or the electricity from the facility must be delivered into the state on a real-time basis. Limited amounts of specified hydroelectricity are also considered eligible renewable resources.

Alternative Compliance Methods Under I-937. In general a qualifying utility that fails to meet an acquisition target will still be considered in compliance with I-937 if any of the following exceptions apply: the failure was due to events beyond the reasonable control and anticipation of a qualified utility; the utility spent 4 percent of its total annual revenue needs to meet the eligible renewable resource targets; or the utility spent 1 percent of its total annual revenue requirement to meet the acquisition targets, had no increases in the demand for electricity for the previous three years, and did not sign any contracts for nonrenewable resources after December 7, 2006, the date I-937 became law.

Accountability Under I-937. For investor-owned utilities, the Utilities and Transportation Commission (UTC) determines compliance with I-937. For all other utilities, the Washington State Auditor (Auditor) is responsible for auditing compliance with I-937.

Greenhouse Gas (GHG). Gases such as carbon dioxide (CO₂), methane, nitrous oxide, and perfluorocarbons are called GHGs, and they are typically expressed in metric tons (MT). Carbon dioxide equivalent (CO₂e) is the unit for comparing emissions of different GHGs expressed in terms of the global warming potential of one unit of CO₂.

Summary of Bill: Adding Carbon Reduction Investment (CRI) as an Eligible Renewable Resource Under I-937. The term CRI means a qualify utility's investment in support of

projects proposed and implemented by a manufacturer in a rural area that reduce, prevent, or remove from the atmosphere the emissions of GHGs. CRIs are added to I-937 as an eligible renewable resource.

Creating an Alternative Compliance Method in I-937 for Utilities Using CRIs. Beginning January 1, 2020, a qualifying utility may substitute CRIs for RECs to comply with an acquisition target. For every CRI that results in 0.2 MT CO₂e emissions reduced, prevented, or removed from the atmosphere, the utility receives the compliance equivalent of one REC.

The emissions reductions must be measured, verified, and documented by a third-party expert retained by the rural manufacturer seeking the investment and subject to determination or audit subject to the accountability provisions in I-937.

Adding CRIs to Reporting Requirements in I-937. Qualifying utilities must annually report any CRIs used to comply with I-937.

Adding a Definition of GHGs to I-937. The term GHG means CO₂, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride.

Adding a Definition of Rural Area to I-937. The term rural area means a Washington State county that has a population of less than 700,000.

Appropriation: None.

Fiscal Note: Requested on April 1, 2017.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.